



**Start-Up Policy and Guidelines 2021
for
NITT Faculty, Staff and Students**

Submitted by
Centre for Entrepreneurship Development & Incubation
National Institute of Technology- Tiruchirappalli-15

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1. PREAMBLE:

The need to support Entrepreneurship development and Technology business incubation activities at NITT.

“NITT encourages entrepreneurship among the Faculty, Staff, Research Scholars, and Students. NITT will directly and actively support the incubation of “CEDI Incubated Companies” by its Faculty / Staff / Research Scholars / Students. Some of these companies may be founded based in part or in full on technologies/IP developed by the institute, or jointly with it in collaborative mode. NITT may also provide incubation support to external Start-ups with which Faculty / Staff / Research Scholars / Students are associated as consultants or mentors. Such external Start-ups may sometimes license technology/IP developed by NITT a priori. The commercialization of advanced technologies developed at the Institute as a result of incubation will greatly benefit the Institute as well as society at large and will contribute to the economic growth of our country”

1.1 About Centre for Entrepreneurship Development and Incubation(CEDI)

CEDI is a Section 8 Company under the Companies ACT of 2013, established for nurturing innovation by encouraging, supporting & promoting technology-based startups and providing an ecosystem for their growth by Incubating in the Center. CEDI is dynamically involved in evolving the paradigm of entrepreneurial approach and environment of ideating, creating and commercializing the ventures at the institute or any other startups aligned to the science, technology, social and sector agnostic theme of CEDI.

CEDI is in the forefront of contributing to the entire value chain of promoting innovation and entrepreneurship including awareness creation, education & training, incubation of innovative businesses, seed funding, and mentoring and providing support services. CEDI has incubated 14 innovative businesses along with seed-funding in IT, Electronics & ICT through the funding from MeitY- TIDE scheme and CSR Fund of Sonata Software Private Ltd. CEDI also carried out Asia Foundation funded project on Women Entrepreneurship Development involving two Sri Lankan universities. CEDI has been collaborating with leading agencies such as EDII Ahmedabad, EDII, and Government of Tamilnadu to organize a number of activities including awareness camps, EDPs, FDPs, NEEDs and IEDP.

1.2 The Main Objectives

- To encourage and promote innovation and assist start-up companies by establishing and providing physical infrastructure
- To provide incubation services to innovation and start-up companies by facilitating technology and management consulting services and guidance.
- To conduct entrepreneurial activities and create culture of innovation and entrepreneurship leading to technology-based start-ups with societal impact.

1.3 Definitions

NITT Member(s) (Henceforth called MEMBER): Any permanent faculty/staff on duty or on short/long leave, research scholars and students having live registration.

NITT's Incubator that is "Centre for Entrepreneurship Development and Incubation" SECTION 8 COMPANY (Henceforth called CEDI SECTION 8 COMPANY): A unit for the primary purpose of promoting and fostering Incubation of Start-up companies involving one or more NITT Member(s), by administering and implementing NITT's policies on incubation.

CEDI Incubated COMPANY (Henceforth called INCUBATEE COMPANY): A registered COMPANY/Startup promoted and / or invested in by NITT Member(s) singly or jointly with others, or those incubated by CEDI the incubator(s) located in NITT premises or elsewhere, and declared by the CEDI SECTION 8 COMPANY as such, or an external start-up declared by the CEDI SECTION 8 COMPANY as such.

External Start-up (ESU): A registered COMPANY/Startup promoted and invested in by non-NITT Member(s) and not located in the NITT / CEDI SECTION 8 COMPANY/ Incubator premises.

2. NORMS FOR THE FACULTY, STAFFS AND STUDENTS STARTUPS

This policy permits faculty, staff and students to transform the ideas based on IPR owned / co-owned by them for running Startup Company. Faculty startup may be by a faculty member alone or with students or with faculty of other institutes or alumni or with other entrepreneurs. The following mechanisms are evolved for running such a company with in the Institute.

Faculty/Staff of other institutes has to get prior permission and a NOC for participating in the Startup and its related activities at CEDI SECTION 8 COMPANY

Any expense incurred by the INCUBATEE COMPANY /ESU must be borne by the company and not by CEDI SECTION 8 COMPANY.

MEMBER's / CEDI SECTION 8 Company involvement in External Start-up (ESU)

A MEMBER will be permitted to involve with an ESU, either on a full-or part-time basis as promoter/adviser/consultant/any other approved role. The MEMBER will be permitted to use specified physical and/or intellectual resources (e.g., workshop equipment, laboratory instruments, computing resources, and assistance of MEMBER) of NITT as per its prevailing Research and consultancy norms. Any such use of NITT resources will be governed by an agreement, which will include the contents and implications of the prevailing NITT IPR policy.

If a MEMBER makes financial investments in an ESU without:

- making any other contribution in the form of technical/managerial consulting advice, or
- any involvement of NITT in the form of any commercial transactions of IP, or
- any use of NITT facilities,

such investments will be treated as a **private matter** of the MEMBER. The CEDI SECTION 8 COMPANY will have no role to play in such instances. The MEMBER should however declare this to NITT in order to avoid any conflict of interest situation. If the ESU awards a consultancy project to the MEMBER, the prevailing NITT rules and regulations for consultancy projects will apply.

If, however, the MEMBER, and/or CEDI SECTION 8 COMPANY or any of its designated entities, are provided shares in the INCUBATEE COMPANY/ESU as compensation in part or full for technical/managerial consulting or for any support extended by Member, NITT, or the CEDI SECTION 8 COMPANY or its Incubators, the MEMBER and/or CEDI SECTION 8 COMPANY may be considered to be involved in the incubation of the ESU. In such a case, the ESU may seek to be designated as a COMPANY by the CEDI SECTION 8 COMPANY. The CEDI SECTION 8 COMPANY will then take an appropriate decision based on the significance of the role played by the MEMBER/ CEDI SECTION 8 COMPANY in the ESU.

Only a Start-up formally designated as an “NITT Incubated COMPANY” by CEDI SECTION 8 COMPANY may publicize itself as such. All other Start-ups must desist from using the name or logo of NITT in their publicity material in spite of any other form of engagement they may have with NITT.

3. RULES GOVERNING INTELLECTUAL PROPERTY (IP)

A MEMBER, while on duty or on leave, may be involved in the creation of IP either solely or in association with an INCUBATEE COMPANY or ESU.

If such IP is created with the involvement of the MEMBER, then any contract between NITT and the Start-up specifying the sharing rights for the IP will hold good. In the absence of such a contractual obligation, the prevailing NITT IPR Policy, rules and regulations shall serve as the reference in such a context. In case the MEMBER develops any IP while on leave at the INCUBATEE COMPANY/ESU which leverages prior IP developed earlier at NITT, MEMBER must ensure the prior IP is properly licensed by the INCUBATEE COMPANY or ESU as per the NITT IPR policy.

4. ENGAGEMENT PROCESS

The MEMBER must begin his / her engagement with an INCUBATEE COMPANY by submitting a proposal through Head of his / her Department / Section to Dean (Research and Consultancy), who will determine the eligibility of the MEMBER to engage with an INCUBATEE COMPANY or ESU. After ascertaining eligibility, Dean (Research and Consultancy) will forward the proposal to the CEDI SECTION 8 COMPANY. After the CEDI SECTION 8 COMPANY accepts the proposal, the MEMBER will be authorized to perform the actions necessary for pre-incubation or incubation, including registration of the Start-up, fund raising, team development, product/services development, consulting, market research and development, etc.

Prior to embarking on these activities, an agreement must be signed between the concerned COMPANY / ESU and the CEDI SECTION 8 COMPANY to establish the mode and nature of involvement of the MEMBER in the INCUBATEE COMPANY/ESU. Such an agreement is necessary with a INCUBATEE COMPANY / ESU when:

- its shares are given to the Member or the CEDI SECTION 8 COMPANY as compensation in part or in full for the MEMBER's contribution, and/or
- NITT's technology/IP is licensed to the COMPANY/ESU, which wishes to pay for the same in part or full in the form of shares.

As part of the agreement, the INCUBATEE COMPANY / ESU shall allot to CEDI SECTION 8 COMPANY a certain percentage of its shares, up to a maximum of **9.5%**. The exact percentage of shares to be allotted and their dilution status will be negotiated based upon the estimated value of support / assistance provided by NITT, CEDI SECTION 8 COMPANY and the MEMBER to the COMPANY / ESU.

In addition, the COMPANY / ESU must also enter into an agreement with NITT through the Office of the Dean (Research and Consultancy) if

- the COMPANY / ESU intends to pay cash in part or in full to NITT for licensing IPR owned by NITT
- the MEMBER provides consultancy to the INCUBATEE COMPANY / ESU or undertakes research-based consultancy as per NITT Research and Consultancy norms while on duty.

5. MODES OF MEMBER'S ENGAGEMENT WITH START-UPS (COMPANY or ESU)

CEDI SECTION 8 COMPANY will negotiate with the INCUBATEE COMPANY or ESU the amount of shares that the incubated COMPANY will allot to CEDI SECTION 8 COMPANY at par value in lieu of NITT's Incubation and other services provided. This share will be first negotiated with the INCUBATEE COMPANY before CEDI SECTION 8 COMPANY acquires shares through faculty / staff / student involvement (as discussed below). CEDI SECTION 8 COMPANY's total holding in a INCUBATEE COMPANY /ESU at any time should not exceed 9.5% of the total allotted shares of the Start-up from all kinds of services provided, IP provided and the faculty-share (as discussed below).

5.1 Faculty / Staff involvement

Capital Investment: Faculty / Staff may be involved in the Start-up by providing capital investment alone in return for shares, with no other managerial, technical or mentorship involvement whatsoever. All shares thus allotted can be retained by the concerned Faculty / Staff, and the transaction is treated as a purely private commercial transaction of no concern to the institute. The member must declare this to NITT / CEDI SECTION 8 COMPANY, so as to avoid conflict of interest situations.

Sabbatical / EOL: Faculty / Staff MEMBER may avail of sabbatical / EOL as per the prevailing NITT leave rules and may work full time for the COMPANY or ESU. If the compensation to the faculty / staff for this is through shares of the INCUBATEE COMPANY / ESU in part or in full, in lieu of cash payment, the MEMBER must declare the same to the CEDI SECTION 8 COMPANY. No compensation is due to NITT as long as the involvement of the MEMBER, for which the compensation was paid, completely ceases after the leave period. Member must not involve himself / herself in any capacity with the INCUBATEE COMPANY / ESU except as shareholder on re-joining NITT after sabbatical / EOL. In case, he / she is involved as a mentor, consultant or any other form other than a shareholder after sabbatical / EOL, rules applicable will be same as that of part-time.

Special Additional EOL: In addition to the EOL normally allowed, a Faculty / Staff may be allowed additional EOL for a maximum period of 12 months for engaging with Start-ups. In such cases, the Start-up must compensate NITT or CEDI SECTION 8 COMPANY with an equivalent of 1.5 times the prevailing gross pro-rata salary of the Faculty / Staff for the duration of this period in the form of cash and / or shares. Again the member must not involve himself / herself in any capacity with the INCUBATEE COMPANY / ESU except as shareholder on re-joining NITT after special EOL. In case, he / she is involved as a mentor or a consultant or any other from other than a shareholder after sabbatical / EOL, rules applicable will be same as that of part-time.

Part time: A Faculty / Staff member is allowed to participate in a Start-up on a part time basis as per NITT consultancy norms with regard to the extent of time spent on such participation. The compensation to the Faculty / Staff member may be in cash for which NITT norms for consultancy

projects will be applicable. Instead, a Faculty / Staff member is allowed to obtain shares of the INCUBATEE COMPANY/ESU as compensation for the engagement with the COMPANY. In such a case, the Faculty / Staff member must apply for approval for engagement with the Start-up, and the INCUBATEE COMPANY / ESU must enter into an agreement with the CEDI SECTION 8 COMPANY. In such cases, up to 20% (faculty / staff will offer 20% of what they are offered and CEDI SECTION 8 COMPANY may choose to acquire less) of these shares as decided by the CEDI SECTION 8 COMPANY obtained shall be transferred to the CEDI SECTION 8 COMPANY, and the remaining to the Faculty / Staff. The total number of shares of the Start-up that CEDI SECTION 8 COMPANY obtains from all NITT faculty and staff members (**as 20% shares**) and all research scholars / students will however be capped to **5%** of the total allotted shares of the Start-up. In case the faculty / staff have purchased the shares at par value or at some higher value, the CEDI SECTION 8 COMPANY will pay the corresponding amount for the shares transferred to it as per this clause.

5.2. Research Scholars' / Students' Involvement

Full time: A Research Scholar/Student can seek permission from NITT to take special leave for a semester, or an additional period for which formal permission shall be granted by NITT in accordance with the prevailing Academic Section Rules of NITT to work for a Start-up on a fulltime basis. ***This may be treated as withdrawal under permission from NITT for the specified period for which such special leave is formally granted.***

The Research Scholar/Student, on returning, has to satisfy all norms (including maximum duration norms of his/her respective programme of study) in order to earn a degree. If the Research Scholar / Student is compensated by the Start-up in the form of cash and/or shares he/she must assign to the CEDI SECTION 8 COMPANY up to **5%** of the total cash/shares allotted to him/her (student will offer 5% of what they are offered and CEDI SECTION 8 COMPANY may choose to acquire less) by the Start-up, as decided by the CEDI SECTION 8 COMPANY. In case the scholar / student has purchased the shares at par value or at some higher value, CEDI SECTION 8 COMPANY will pay the corresponding amount for the shares transferred to it as per this clause.

Part time: A Research Scholar/Student can seek permission from NITT to work for a Start-up on a part time basis. The NITT part-time engagement norms in projects during a semester/vacation period will apply. If the Research Scholar/Student is compensated by the Start-up in the form of cash and/or shares he/she must assign to the CEDI SECTION 8 COMPANY up to **7.5%** of the total cash/shares allotted (research scholar / student will offer **7.5%** of what they are offered and CEDI SECTION 8 COMPANY may choose to acquire less) to him/her by the Start-up as decided by the CEDI SECTION 8 COMPANY, with a total cap from students /scholars / faculty of 5% of total allotted shares of the start-ups. In this case, the courses that he/she registers for will be regulated by the respective Faculty Advisor(s) or GTC or DC as applicable in case the research scholar / student have purchased the shares at par value or at some higher value, CEDI SECTION 8 COMPANY will pay the corresponding amount for the shares transferred to it as per this clause.

5.3 Role of MEMBER in Start-up

The MEMBER may play an executive role / non-executive role in a Start-up depending on whether they will be engaged fulltime or part-time. The MEMBER may be involved full time only after obtaining permission from the Institute for the appropriate type of leave. The part-time engagement will be as per existing NITT Research and consultancy norms. The MEMBER can take up an executive role only if they are engaged fulltime with the Start-up.

6. Conflict of interest

When a MEMBER utilizes leave of absence (Sabbatical / EOL, or any applicable equivalent) for direct, active participation in an INCUBATEE COMPANY / ESU, it is obligatory that the concerned Head(s) of Department be informed at least three months in advance. Shorter notice needs to be specifically approved by the Head of Department. This is to ensure that the academic programmes of NITT are not affected.

It is essential that the MEMBER must avoid any conflict of interest between their roles in NITT and in the COMPANY / ESU. This is particularly important if there are NITT resources in their control which are also sought by the Start-up with which they are involved. A similar situation arises if they are developing IPR in a research activity / project in NITT that is closely related to the IPR they may be developing when on leave and working in the Start-up. Another situation arises when the relative shareholding of the MEMBER and CEDI SECTION 8 COMPANY is sought to be changed by infusion of fresh capital in the Start-up by the MEMBER. While such a move could be a bona-fide move on the part of the MEMBER to support the Start-up, it could potentially have a mala-fide motive of changing the relative shareholding pattern prior to some anticipated upward evaluation and infusion of investment by other parties. Yet another potential conflict of interest arises when shares are allotted by a Start-up to a close relative (spouse, children, parents) of a MEMBER who is involved with the Start-up.

The CEDI SECTION 8 COMPANY will determine the potential areas/activities where there is conflict of interest in the case of each MEMBER who applies for approval for engaging with a Start-up, and arrive at an agreed upon methodology for ensuring transparency in decision making in respect of these activities/areas. The CEDI SECTION 8 COMPANY may, if it chooses to, set up an - oversight committee of Faculty / Staff for specific relationships to ensure that conflicts of interest do not arise. The CEDI SECTION 8 COMPANY may also require the MEMBER to declare their financial interests, and those of their close relatives, in the Start-up, at the time of engagement, as well as whenever a change in such interests takes place due to additional investment in the Start-up, or payment / share allotment by the Start-up. In any case, every MEMBER involved with a Start-up must file a declaration periodically with the CEDI SECTION 8 COMPANY irrespective of whether there is a change in their financial interests in the Start-up or not. The required periodicity will be determined by the CEDI SECTION 8 COMPANY.

The CEDI SECTION 8 COMPANY reserves the right to obtain a third-party evaluation of the value of the Start-up's shares before a MEMBER or their close relative(s) makes additional investments in the Start-up. Such an evaluation will be carried out in a reasonable time-frame. If the CEDI SECTION 8 COMPANY deems it fit, it may choose to make an investment in the Start-up of its own at the same price applicable to the MEMBER and obtain shares for the corresponding amount. The CEDI SECTION 8 COMPANY reserves the right to make the acceptance by the Start-up of the additional investment by the MEMBER or their close relative(s) conditional on the acceptance of the corresponding additional investment by the CEDI SECTION 8 COMPANY.

In case a member of the CEDI SECTION 8 COMPANY Governing Council has shares in a COMPANY, the Governing Council will determine whether the said member should resign from the Council, in order to avoid potential conflict of interest, or only recuse himself / herself when matters pertaining to the Start-up with which he / she is involved are discussed.

7. Withdrawal of Support

NITT reserves the right to withdraw its support to any Start-up that it engages with, following a due process of notice. This may involve withdrawal of access to NITT's facilities, and/or withdrawal of permission to MEMBER to engage further with the Start-up in any manner, though they and the CEDI SECTION 8 COMPANY can continue to hold the shares they already possess in the Start-up. It will also involve withdrawal of the status of the Start-up as a COMPANY, from which point the Start-up will be required to desist from advertising itself as such thereafter. Should the need arise, the CEDI SECTION 8 COMPANY may also seek modifications to the agreement signed with the Start-up through an amendment, in order to protect NITT's fair name and its interests.

8. Protection of NITT's fair name

When a Start-up is designated as a COMPANY, it is permitted to advertise itself as such wherever such advertisement is appropriate. However, such advertising carries with it the risk that in case the COMPANY indulges in improper behavior or dealings, NITT's fair name will be tarnished by association with the INCUBATEE COMPANY. In order to protect itself from such risks, NITT, through the CEDI SECTION 8 COMPANY, may seek a seat on the Board of the COMPANY, without liability, in order to ensure transparency in all its dealings. The CEDI SECTION 8 COMPANY may seek access to the un-audited and audited balance sheets of the COMPANY. In certain cases, the CEDI SECTION 8 COMPANY may even seek visibility of payments above a specified value made by the COMPANY, before such payments are made. All such requirements will be specified in the agreement that will be entered into by the CEDI SECTION 8 COMPANY with the INCUBATEE COMPANY

9. References:

1. IIT Madras Faculty Startup Policy- revised 2013
2. National Innovation and Startup Policy 2019 for Students and Faculty MHRD, GOI
www.mhrd.gov.in / www.mic.gov.in

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